



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA**

**FILED**

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Application of Southern California Edison Company (U 338-E) for a Commission Finding that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2017 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; for Refund of \$36.208 Million Recorded in Three Accounts; and Review of Proposal to Return \$17.644 million in Unspent Demand Response Funds to Customers.

Application No. 18-03-\_\_\_\_\_  
(Filed March 29, 2018)

**APPLICATION OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E)**  
**IN ITS 2017 RECORD PERIOD ANNUAL ENERGY RESOURCE**  
**RECOVERY ACCOUNT (ERRA) REVIEW PROCEEDING**

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Dated: **March 29, 2018**

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**I.**

**DESCRIPTION OF APPLICATION AND SUMMARY OF REQUEST**

In compliance with Decision (“D.”) 02-10-062, D.03-07-029, and D.04-01-048, and pursuant to Rule 2.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC” or “Commission”), Southern California Edison Company (“SCE”) is submitting its annual Energy Resource Recovery Account (“ERRA”) review application (“ERRA Review”). This application sets forth SCE’s procurement-related operations for January 1 through December 31, 2017 (“Record Period”). Concurrent with the filing of this application, SCE is serving four volumes of supporting prepared testimony on Commission staff members and interested parties, preliminarily designated as Exhibits SCE-01, SCE-02, SCE-03,

and SCE-04. Certain volumes of testimony also have confidential versions. SCE requests that the Commission find that during the Record Period: (1) its fuel and purchased power expenses complied with SCE's Commission-approved procurement plan and were recorded accurately; (2) its contract administration, management of utility-retained generation ("URG"), dispatch of generation resources, and related spot market transactions complied with Standard of Conduct Four ("SOC 4") in SCE's procurement plan; and (3) all other SCE activities subject to Commission review in this ERRR Review proceeding complied with applicable Commission decisions and resolutions.

In D.02-10-062 and D.02-12-074, the Commission determined that certain procurement-related operations should be reviewed annually in the ERRR proceeding. This review includes URG fuel expenses, SCE's administration of existing qualifying facility ("QF") contracts, bilateral contracts, inter-utility power contracts, renewable resource contracts, and natural gas tolling agreements. In addition, the Commission requires SCE to demonstrate that its least-cost dispatch operations and related spot market transactions during the Record Period complied with SOC 4 in its Commission-approved procurement plan, as clarified in D.05-01-054.

D.02-10-062 also requires SCE to set forth the entries recorded in the ERRR Balancing Account and other regulatory accounts for review. These accounts are discussed in Exhibit SCE-02 of the testimony supporting this application. As explained therein, in this application SCE is requesting approval to refund to customers approximately \$54.477 million.

***Summary of 2019 Revenue Requirement Change  
(\$000)***

Balancing/Memorandum Accounts	Revenue Change
Department of Energy Litigation MA	(33,094)
Project Development Division MA	(2,734)
Purchase Agreement Administrative Costs BA	(380)
Net Over-Collected Balance	(36,208)
Demand Response Program Balancing Account (return of unspent/uncommitted funds) *	(17,644)
Total:	(53,852)
FF&U:	(625)
Total Revenue Requirement Change:	\$ (54,477)

In this Application, SCE proposes to return to customers SCE's share of the net proceeds from the federal government for costs incurred by SCE during the 2014-2015 period from the Department of Energy's (DOE) failure to meet its legal obligation to store used nuclear fuel.<sup>1</sup> In addition, two authorized SCE accounts had more funds than necessary to cover costs (over-collected): the Project Development Division Memorandum Account<sup>2</sup> and the Purchase Agreement Administrative Costs Balancing Account.<sup>3</sup> SCE also proposes to return to customers the unspent and uncommitted funds from the 2016-2017 funding period included in the Demand Response Program Balancing Account.<sup>4</sup>

Compared to revenue at present rates, this application requests a revenue decrease of \$54.477 million (including franchise fees and uncollectibles). For illustrative purposes, if total rates were to change as requested, it would result in approximately an \$0.10 per kilowatt-hour reduction to customers' rates, or a 0.5% system average rate decrease beginning in 2019. If total

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<sup>1</sup> This account was over-collected with an ending balance of \$33.094 million in the 2017 Record Period. *See* SCE-02.

<sup>2</sup> This account was over-collected with an ending balance of \$2.734 million in the 2017 Record Period. *See* SCE-02.

<sup>3</sup> This account was over-collected with an ending balance of \$0.380 million in the 2017 Record Period. *See* SCE-02.

<sup>4</sup> This account was over-collected with an ending balance of \$133.3 million in the 2017 Record Period. Of this, \$17.6 million is unspent and uncommitted. *See* SCE-02.

rates were to change as requested, an average residential customer using 550 kilowatt-hours (kWh) per month would see a decrease of \$0.51 per month, from \$110.90 to \$110.39. The following tables show an estimate of proposed revenue and rate changes by customer group:

<b>System Revenues</b>			
Customer Group	Current Rev (\$000)	Revenue Change (\$000)	% Change over current
Residential	4,872,541	-24,069	-0.5%
Lighting - Small and Medium Power	4,399,440	-18,659	-0.4%
Large Power	2,035,704	-8,257	-0.4%
Agricultural and Pumping	441,361	-1,993	-0.5%
Street and Area Lighting	126,778	-231	-0.2%
Standby	286,857	-1,269	-0.4%
Total	12,162,682	-54,477	-0.4%

<b>Bundled Average Rates</b>			
Customer Group	Current Rates (¢/kWh)	Proposed Rates (¢/kWh)	% Change over current
Residential	18.1	18.1	-0.5%
Lighting - Small and Medium Power	17.3	17.2	-0.4%
Large Power	12.3	12.2	-0.5%
Agricultural and Pumping	13.5	13.4	-0.5%
Street and Area Lighting	18.6	18.5	-0.2%
Standby	10.2	10.1	-0.5%
Total	16.2	16.1	-0.5%

## II.

### **STATUTORY AND REGULATORY REQUIREMENTS**

#### **A. Statutory and Other Authority – Rule 2.1**

SCE makes this Application pursuant to the Commission’s Rules of Practice and Procedure, California Public Utilities (“P.U.”) Code § 454, and Commission Decision Nos. 02-10-062, 02-12-074, 03-07-029, 04-01-048, 15-05-007, 15-11-011, 15-11-021, and 16-01-017.

P.U. Code § 454(a) provides:

- (a) Except as provided in Section 455, no public utility shall change any rate or so alter any classification, contract, practice, or rule as to

reflect in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

P.U. Code § 454(b) provides:

- (b) The commission may adopt rules it considers reasonable and proper for each class of public utility providing for the nature of the showing required to be made in support of proposed rate changes, the form and manner of the presentation of the showing, with or without a hearing, and the procedure to be followed in the consideration thereof.

SCE's request complies with Rules 1.5 through 1.11 and 1.13 of the Commission's Rules of Practice and Procedure, which specify the procedures for filing documents, and Rules 2.1, 2.2, and 3.2.

Rule 2.1 of the Commission's Rules of Practice and Procedure requires that all applications: (1) clearly and concisely state authority or relief sought; (2) cite the statutory or other authority under which that relief is sought; and (3) be verified by the applicant.

The relief being sought is summarized in Section I above, and is further described in the SCE's supporting testimony served concurrently with this application.

This application has been verified by an SCE officer as provided in Rules 1.11 and 2.1.

The remainder of Rule 2.1, and Rules 2.2 and 3.2, set forth further requirements addressed separately below.

**B. Legal Name and Correspondence – Rules 2.1(a) and 2.1(b)**

Rule 2.1(a) of the Commission's Rules of Practice and Procedure require all applications to state the exact legal name of each applicant and the location of principal place of business, and if an applicant is a corporation, trust, association, or other organized group, the State under the laws of which such applicant was created or organized.

The full legal name of the applicant herein is Southern California Edison Company. SCE is a corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of generating, purchasing, transmitting, distributing and selling electric energy for light, heat and power in portions of central and southern California as a public utility subject to the jurisdiction of the Commission. SCE's properties, which are substantially within the State of California, primarily consist of hydroelectric and thermal electric generating plants, together with transmission and distribution lines and other property necessary in its business.

SCE's principal place of business is 2244 Walnut Grove Avenue, Rosemead, California, and its post office address and telephone number are:

Southern California Edison Company  
Post Office Box 800  
Rosemead, California 91770  
Telephone: (626) 302-1212

Rule 2.1(b) of the Commission's Rules of Practice and Procedure require all applications to state the name, title, address, telephone number, facsimile transmission number, and e-mail address of the person to whom correspondence or communications regarding the application are to be addressed.

SCE's attorneys in this matter are Fadia Khoury and R. Olivia Samad. Correspondence or communications regarding this application should be addressed to:

R. Olivia Samad  
Senior Attorney  
P.O. Box 800  
2244 Walnut Grove Avenue  
Rosemead, CA 91770  
Telephone: (626) 302-3477  
e-mail: [olivia.samad@sce.com](mailto:olivia.samad@sce.com)

SCE Case Administration  
Southern California Edison Company  
P.O. Box 800  
2244 Walnut Grove Avenue  
Rosemead, CA 91770  
Telephone: (626) 302-6509  
e-mail: [case.admin@sce.com](mailto:case.admin@sce.com)

**C. Proposed Categorization, Need for Hearings, Issues To Be Considered, Proposed Schedule, and Relevant Safety Considerations — Rule 2.1(c)**

Commission Rule 2.1(c) requires that all applications shall state “the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.”

**1. Proposed Category**

Rule 1.3(e) of the Commission’s Rules of Practice and Procedure defines “ratesetting” proceedings as “proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities).” This application includes SCE’s proposal for a decrease in its revenue requirement, resulting in a decrease in rates. Therefore, for purposes of Rule 2.1, SCE proposes this proceeding be categorized as ratesetting.

**2. Need for Hearings**

The need for hearings in this proceeding, and the issues to be considered in such hearings, will depend largely on the degree to which other parties contest SCE’s requests. The need for hearings will ultimately be determined by the assigned Administrative Law Judge(s).

**3. Issues to Be Considered Including Relevant Safety Considerations<sup>5</sup>**

The issues to be considered are discussed in Section I above and in more detail in SCE’s prepared, direct testimony. Relevant safety considerations are discussed in Exhibit SCE-01, in Chapters I and VII.

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<sup>5</sup> Pursuant to D.16-01-017, the Commission has revised Rule 2.1(c) to include relevant safety considerations, and expects the revised rule to be effective as of July 1, 2016.



#### **4. Procedural Schedule**

To allow the Commission to issue a timely final decision in this proceeding, SCE requests the Commission to process the present application according to this schedule:

Application filed:	March 29, 2018
Protests / Responses Due	April 30, 2018
Reply to Protests:	May 10, 2018
Pre-Hearing Conference:	May 2018
ORA/Intervenor Testimony due:	September 4, 2018
SCE Rebuttal Testimony due:	October 19, 2018
Hearings held (if needed):	November 2018
Concurrent Opening Briefs:	November 30, 2018
Concurrent Reply Briefs:	December 14, 2018
Proposed Decision:	January 2019
Comments on Proposed Decision:	February 1, 2019
Replies to Comments:	February 6, 2019
Final Commission Decision:	March 2019

#### **D. Organization and Qualification to Transact Business– Rule 2.2**

Rule 2.2 requires the applicant to submit a copy of its organizing documents and evidence of its qualification to transact business in California, or to refer to that documentation if previously filed with the Commission.

A copy of SCE's Certificate of Restated Articles of Incorporation, effective on March 2, 2006, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 14, 2006, in connection with Application No. 06-03-020, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series D Preference Stock, filed with the California Secretary of State on March 7, 2011, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2011, in connection with Application No. 11-04-001, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series E Preference Stock, filed with the California Secretary of State on January 12, 2012, and a copy of SCE's

Certificate of Increase of Authorized Shares of the Series E Preference Stock, filed with the California Secretary of State on January 31, 2012, both presently in effect and certified by the California Secretary of State, were filed with the Commission on March 5, 2012, in connection with Application No. 12-03-004, and are by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series F Preference Stock, filed with the California Secretary of State on May 5, 2012, and presently in effect, certified by the California Secretary of State, was filed with the Commission on June 29, 2012, in connection with Application No. 12-06-017, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series G Preference Stock, filed with the California Secretary of State on January 24, 2013, and presently in effect, certified by the California Secretary of State, was filed with the Commission on January 31, 2013, in connection with Application No. 13-01-016, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series H Preference Stock, filed with the California Secretary of State on February 28, 2014, and presently in effect, certified by the California Secretary of State, was filed with the Commission on March 24, 2014, in connection with Application No. 14-03-013, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series J Preference Stock, filed with the California Secretary of State on August 19, 2015, and presently in effect, certified by the California Secretary of State, was filed with the Commission on October 2, 2015, in connection with Application No. 15-10-001, and is by reference made a part hereof.

A copy of SCE's Certificate of Determination of Preferences of the Series K Preference Stock, filed with the California Secretary of State on March 2, 2016, and presently in effect, certified by the California Secretary of State, was filed with the Commission on April 1, 2016, in connection with Application No. 16-04-001, and is by reference made a part hereof.

Certain classes and series of SCE's capital stock are listed on a "national securities exchange" as defined in the Securities Exchange Act of 1934, and copies of SCE's latest Annual Report to Shareholders and its latest proxy statement sent to its stockholders has been filed with

the Commission with a letter of transmittal dated March 18, 2016, pursuant to Commission General Order Nos. 65-A and 104-A.

**E. Authority to Increase Rates — Rule 3.2<sup>6</sup>**

**1. Balance Sheet and Income Statement – Rule 3.2(a)(1)**

In compliance with Rule 3.2(a)(1), Appendix A hereto contains copies of SCE's balance sheet as of December 31, 2017, and income statement for the period ended December 31, 2017, the most recent period available.

**2. Present and Proposed Rates – Rule 3.2(a)(2) And Rule 3.2(a)(3)**

SCE is not requesting a rate increase, but rather is requesting a rate decrease.

**3. Summary of Earnings – Rule 3.2(a)(5)**

In compliance with Rule 3.2(a)(5), Appendix B hereto contains a copy of SCE's summary of earnings, updated in December 2016, the most recent period available.

**4. Statement Pursuant To Rule 3.2(a)(10)**

Rule 3.2(a)(10) requires that the “application of electrical ... corporations shall separately state whether or not the increase reflects and passes through to customers only increased costs to the corporation for the services or commodities furnished by it.” SCE's application requests recovery of amounts in certain memorandum accounts, which are traditional “pass through” costs to customers.

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<sup>6</sup> Rule 3.2 only applies to applications to increase rates, but SCE is providing this information for completeness.

**5. Notice – California Public Utilities Code Section 454**

As required by California Public Utilities Code Section 454, a notice stating in general terms the proposed change will be provided to customers in their monthly bills. SCE has reviewed a draft of its proposed customer notice with the Commission's Public Advisor.

Because this application does not request authority to increase rates or to implement changes that would result in increased rates, the notice requirements of Rule 3.2(b), (c), and (d) of the Commission's Rules of Practice and Procedure are not applicable.

**6. Service**

The official service list has not yet been established in this proceeding. SCE is serving this application and supporting testimony on the Commission's Office of Ratepayer Advocates, as well as the service lists established by the Commission for A.17-04-004<sup>7</sup> and A.17-05-006.<sup>8</sup>

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<sup>7</sup> This is the service list for SCE's previous ERRA Review Application, filed April 3, 2017, for the Record Period January 1 through December 31, 2016.

<sup>8</sup> This is the service list for SCE's previous ERRA Forecast Application, filed May 1, 2017.

### III.

#### CONCLUSION

SCE respectfully requests that the Commission approve SCE's application in total.

Respectfully submitted,

FADIA RAFEEDIE KHOURY  
R. OLIVIA SAMAD

*/s/ R. Olivia Samad*

By: R. Olivia Samad

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**March 29, 2018**

## VERIFICATION

(See Rule 1.11)

Southern California Edison Company

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to the matters that are herein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this **28<sup>th</sup> day of March, 2018**, at Rosemead, California.

*/s/ Caroline Choi*

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By: Caroline Choi  
Senior Vice President of Regulatory Affairs  
Southern California Edison Company

**Appendix A**

**SCE's Income Statement and Balance Sheet**

SOUTHERN CALIFORNIA EDISON COMPANY

(h) A balance sheet as of the latest available date, together with an income statement covering the period from close of last year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the application.

STATEMENT OF INCOME  
TWELVE MONTHS ENDED DECEMBER 31, 2017

(In millions)

OPERATING REVENUE	<u>\$ 12,254</u>
OPERATING EXPENSES:	
Purchase power and fuel	4,873
Other operation and maintenance	2,671
Depreciation, decommissioning and amortization	2,032
Property and other taxes	372
Impairment and other charges	716
Other operating income	(8)
Total operating expenses	<u>10,656</u>
OPERATING INCOME	1,598
Interest and other income	145
Interest expense	(589)
Other expenses	(48)
INCOME BEFORE INCOME TAX	<u>1,106</u>
INCOME TAX	(30)
NET INCOME	<u>1,136</u>
Less: Preferred and preference stock dividend requirements	<u>124</u>
NET INCOME AVAILABLE FOR COMMON STOCK	<u><u>\$ 1,012</u></u>



SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET  
DECEMBER 31, 2017  
ASSETS  
(in millions)

UTILITY PLANT:

Utility plant, at original cost	\$ 44,761
Less- accumulated provision for depreciation and decommissioning	9,355
	<u>35,406</u>
Construction work in progress	3,175
Nuclear fuel, at amortized cost	127
	<u>38,708</u>

OTHER PROPERTY AND INVESTMENTS:

Nonutility property - less accumulated depreciation of \$91	77
Nuclear decommissioning trusts	4,440
Other investments	52
	<u>4,569</u>

CURRENT ASSETS:

Cash and equivalents	515
Receivables, less allowances of \$53 for uncollectible accounts	693
Accrued unbilled revenue	212
Inventory	242
Income tax receivables	229
Prepaid expenses	228
Derivative assets	105
Regulatory assets	703
Other current assets	160
	<u>3,087</u>

DEFERRED CHARGES:

Regulatory assets	4,914
Other long-term assets	237
	<u>5,151</u>
	<u>\$ 51,515</u>

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEET  
DECEMBER 31, 2017  
CAPITALIZATION AND LIABILITIES  
(in millions)

CAPITALIZATION:

Common stock	\$ 2,168
Additional paid-in capital	671
Accumulated other comprehensive loss	(19)
Retained earnings	9,607
Common shareholder's equity	<u>12,427</u>
Preferred and preference stock	2,245
Long-term debt	<u>10,428</u>
Total capitalization	<u>25,100</u>

CURRENT LIABILITIES:

Short-term debt	1,238
Current portion of long-term debt	479
Accounts payable	1,519
Accrued taxes	24
Customer deposits	281
Derivative liabilities	1
Regulatory liabilities	1,121
Other current liabilities	1,224
	<u>5,887</u>

DEFERRED CREDITS:

Deferred income taxes and credits	5,890
Derivative liabilities	0
Pensions and benefits	483
Asset retirement obligations	2,892
Regulatory liabilities	8,614
Other deferred credits and other long-term liabilities	2,649
	<u>20,528</u>

\$ 51,515

## **Appendix B**

### **SCE's Summary of Earnings**

**Southern California Edison  
Summary of Earnings  
2015 GRC Adopted Revenue Requirement  
Thousands of Dollars**

Line		
No.	Item	Total
1.	<b>Base Revenues</b>	5,182,297
2.	<b>Expenses:</b>	
3.	Operation & Maintenance	1,984,387
4.	Depreciation	1,532,289
5.	Taxes	442,687
6.	Revenue Credits	(147,491)
7.	Total Expenses	3,811,871
8.	<b>Net Operating Revenue</b>	1,370,425
9.	<b>Rate Base</b>	17,375,834
10.	<b>Rate of Return</b>	7.89%

**Southern California Edison  
Summary of Earnings  
2016 GRC Adopted Revenue Requirement  
Thousands of Dollars**

Line		
No.	Item	Total
1.	<b>Base Revenues</b>	5,385,537
2.	<b>Expenses:</b>	
3.	Operation & Maintenance	2,037,603
4.	Depreciation	1,546,128
5.	Taxes	474,761
6.	Revenue Credits	(149,196)
7.	Total Expenses	3,909,295
8.	<b>Net Operating Revenue</b>	1,476,242
9.	<b>Rate Base</b>	18,713,446
10.	<b>Rate of Return</b>	7.89%

**Southern California Edison  
Summary of Earnings  
2017 GRC Adopted Revenue Requirement  
Thousands of Dollars**

Line		
No.	Item	Total
1.	<b>Base Revenues</b>	5,657,371
2.	<b>Expenses:</b>	
3.	Operation & Maintenance	2,096,676
4.	Depreciation	1,575,482
5.	Taxes	542,386
6.	Revenue Credits	(148,941)
7.	Total Expenses	4,065,603
8.	<b>Net Operating Revenue</b>	1,591,768
9.	<b>Rate Base</b>	20,175,800
10.	<b>Rate of Return</b>	7.89%